

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 FEA-01 ERDA-07 AID-05 CEA-01

CIAE-00 COME-00 DODE-00 FPC-01 H-02 INR-07 INT-05

L-03 NSAE-00 OMB-01 PM-05 OES-07 SP-02 SS-15

STR-04 TRSE-00 ACDA-10 SSO-00 USIE-00 INRE-00

/097 W

-----039669 100006Z /20

O 092313Z SEP 77

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 4713

THE WHITE HOUSE WASHDC IMMEDIATE

INFO AMCONSUL MONTREAL

ALL AMCONSULS CANADA BY POUCH

UNCLAS SECTION 01 OF 02 OTTAWA 08187

PASS WHITE HOUSE FOR SCHLESINGER AND GOLDMAN, FEA AND FPC

E.O. 11652: N/A

TAGS: ENRG, CA

SUBJECT: FURTHER REACTION TO ANNOUNCEMENT OF NORTHERN  
GAS PIPELINE

REF: OTTAWA 8163

1. BEGIN SUMMARY: CENTERPIECE OF MEDIA INTEREST IN PIPELINE  
ANNOUNCEMENT FOLLOWING COVERAGE DESCRIBED REFTEL WAS PRESS CONFERENCE  
HELD BY PIPELINE NEGOTIATOR AND PRIVY COUNCIL PRESIDENT  
ALLAN MACEACHEN AT WHICH HE AND MEMBERS OF CANADIAN  
NEGOTIATING TEAM OUTLINED DETAILS OF AGREEMENT AND MAJOR  
BENEFITS TO CANADA OF JOINT PROJECT. CONFERENCE, DETAILS  
OF WHICH ARE OUTLINED BELOW, WAS APPARENTLY CONVINCING  
AND SUCCESSFUL EFFORT TO DEMONSTRATE TO PRESS AND PUBLIC  
THAT CANADA DID NOT LOSE ITS SHIRT IN THE NEGOTIATIONS  
AS CLAIMED BY CRITICS BEFORE DETAILS OF AGREEMENT WERE  
PUBLICISED. OTHER NOTEWORTHY ITEMS, ALSO DESCRIBED  
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BELOW, WERE COMMENTS BY ALBERTA PREMIER PETER LOUGHEED,  
FOOTHILLS PIPELINE PRESIDENT BOB BLAIR AND PROGRESSIVE  
CONSERVATIVE (PC) PARTY ENERGY CRITIC JIM GILLIES.  
PENDING DETAILED EXAMINATION OF AGREEMENT BY POTENTIAL  
CRITICS, OVERALL REACTION TO ANNOUNCEMENT SEEMS  
INCREASINGLY POSITIVE. END SUMMARY.

2. MACEACHEN NEWS CONFERENCE: AT 10 A.M. NEWS CONFERENCE, SEPTEMBER 9, CHIEF GOC PIPELINE NEGOTIATOR ALLAN MACEACHEN OPENED WITH STATEMENT SUMMARIZING ADVANTAGES TO CANADA FROM CONSTRUCTION OF ALCAN PIPELINE AND EMPHASIZING THAT "TOUGH" NEGOTIATIONS HAD PRODUCED "OUTCOME IN MUTUAL INTEREST" OF U.S. AND CANADA AND IN FAVOR OF "GIGANTIC ENTERPRISE" THAT "WILL STRENGTHEN BONDS BETWEEN TWO COUNTRIES." TEXT OF STATEMENT, WHICH WAS PARAPHRASED BY MACEACHEN, DISTRIBUTED TO PRESS ALONG WITH BACKGROUNDER PROVIDING DETAILED RATIONALE FOR MAIN ELEMENTS OF AGREEMENT. (THESE ARE BEING POUCHED TO WASHINGTON.)

A. IN REVIEWING SUBSTANCE OF AGREEMENT MACEACHEN STATEMENT AND BACKGROUNDER ARGUE THAT IT:

-- PROVIDES ACCESS TO GAS IN MACKENZIE DELTA AT LESS COST (14 CENTS PER MCF) THAN WOULD NEB-PROPOSED DAWSON DIVERSION,

-- MEETS NEED FOR DOLS 200 MILLION FUND TO OFFSET SOCIO-ENVIRONMENTAL IMPACT THROUGH ARRANGEMENTS FOR ADVANCE BY PIPELINE CONSORTIUM AGAINST TAX LIABILITY WHICH WILL NET CANADA TWICE THE RETURN UNDER ALTERNATIVE ADVANCED BY LYSYK AND THREE TIMES THAT OF NEB,

-- PROVIDES STIMULUS TO CONTINUED HYDROCARBON DEVELOPMENT IN WESTERN ARCTIC.  
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-- OFFERS POTENTIAL BENEFIT TO CANADIAN ECONOMY OF 100,000 MAN YEARS OF EMPLOYMENT AND DOLS 4 BILLION EXPENDITURE IN CONSTRUCTION OF SYSTEM (TRUNK LINE AND DEMPSTER LATERAL) IN CANADA,

-- PROMISES EXPANDED JOB OPPORTUNITIES FOR NORTHERN RESIDENTS,

-- SECURES GAS SUPPLIES FOR COMMUNITIES NEIGHBORING THE LINE,

-- DEFERS CONSTRUCTION START-UP IN YUKON TO JANUARY 1981 TO PROVIDE TIME TO WORK ON SETTLEMENT OF NATIVE CLAIMS AND TO COMPLETE ENVIRONMENTAL STUDIES.

B. QUESTIONING WHICH FOLLOWED LASTED ONLY HALF HOUR AND WAS MILD. IT PICKED-UP FROM POINT REACHED IN A PRE-NEWS CONFERENCE EXCHANGE BETWEEN NEWSMEN AND ASSEMBLED GOC OFFICIALS DURING TEN MINUTE WAIT FOR MACEACHEN. MAIN THEMES WERE:

-- HOW DOES GOVERNMENT RESPOND TO CHARGES OF A SELL-OUT IN VIEW OF ABSENCE OF DOLS 200 MILLION FUND AND DAWSON DIVERSION RECOMMENDED BY STUDIES IT INITIATED? ANSWER: FACT THAT GREATER BENEFITS HAVE BEEN SECURED FOR CANADA THAN WERE FORESEEN IN VARIOUS STUDIES LEAVES NO GROUNDS TO SUPPORT SUCH CHARGES.

-- IF ONE OF MAIN BENEFITS IS ACCESS TO MACKENZIE DELTA GAS, WHEN WILL DEMPSTER LATERAL BE BUILT? ANSWER: EXACT TIMING CANNOT BE DETERMINED. APPLICATION FOR CONSTRUCTION

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NSAE-00 SSO-00 USIE-00 INRE-00 ERDA-07 AID-05  
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OMB-01 PM-05 OES-07 SP-02 SS-15 STR-04 TRSE-00  
ACDA-10 /097 W

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FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC IMMEDIATE 4714  
THE WHITE HOUSE WASHDC IMMEDIATE  
INFO AMCONSUL MONTREAL  
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PASS WHITE HOUSE FOR SCHLESINGER AND GOLDMAN, FEA AND FPC

IS EXPECTED BY YEAR-END. USUAL HEARINGS AND EVALUATIONS CAN THEN PROCEED, BUT NEB CANNOT PREJUDGE OUTCOME BY TAKING A POSITION NOW.

-- WILL EMPLOYMENT AND COMMERCIAL BENEFITS TO CANADA BE PROPORTIONATE TO SHARE OF LINE TO BE BUILT IN CANADA? ANSWER: NEB CAN INFLUENCE CANADIAN CONTENT IN ITS APPROVAL OF PIPELINE APPLICATION, WHILE AGREEMENT PROVIDES OPPORTUNITY FOR FIRMS FROM BOTH COUNTRIES TO MAXIMIZE THEIR COMMERCIAL PARTICIPATION IN CONSTRUCTION.

C. MACEACHEN ALSO NOTED, IN RESPONSE TO OTHER QUESTIONS, THAT GOC HOPED TO INTRODUCE NECESSARY LEGISLATION TO

AUTHORIZE ALCAN ROUTE BEFORE YEAR END, THAT REVENUES FROM  
LINE SHOULD MEET ALL YUKON FISCAL NEEDS IN FUTURE -- THUS  
ELIMINATING NEED FOR FEDERAL SUBSIDY, AND THAT MEASURES  
WERE BEING DEVELOPED TO ENHANCE EMPLOYMENT OPPORTUNITIES  
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ON PROJECT FOR NORTHERNERS.

D. FOR MOST PART, QUESTIONERS DID NOT PRESS FOR GREATER  
SPECIFICITY AND ATMOSPHERE WAS FRIENDLY.

3. LOUGHEED STATEMENT: PREMIER PETER LOUGHEED, COMMENTING  
ON ANNOUNCEMENT BY PRESIDENT AND PRIME MINISTER, SAID  
SEPTEMBER 8 THAT DECISION IN FAVOR OF DOLS 10 BILLION ALASKA  
HIGHWAY NATURAL GAS PIPELINE, ONE OF LARGEST PROJECTS IN  
NORTH AMERICAN HISTORY, WOULD HAVE VERY GREAT IMPACT ON  
ALBERTA. HE EXPECTS LARGE PORTION OF DOLS 10 BILLION  
INVESTMENT WILL BE SPENT IN HIS PROVINCE. HE ALSO SAID HE  
HAS BEEN ASSURED BY OTTAWA THAT NATURAL GAS SWAP WITH U.S.  
IS NOT PART OF AGREEMENT. "IF PROMOTERS AND PARTICIPANTS  
IN THE PIPELINE WANT SUCH A PROPOSAL THEY WILL MAKE IT TO  
US, NO DOUBT."

4. BLAIR STATEMENT: FOOTHILLS PRESIDENT ROBERT BLAIR SAID  
HE HOPES DOLS 10 BILLION ALASKA HIGHWAY NATURAL GAS PIPE-  
LINE APPROVED BY PRESIDENT AND PRIME MINISTER CAN BE IN  
SERVICE BY 1983. HE SAID HIS FIRM IS ANXIOUS TO "GET ON  
WITH THE GOOD JOB AND SHOW HOW IT IS AN ATTRACTIVE DEVELOP-  
MENT WITHIN CANADA AND ALSO FAR MORE PROMPT AND ECONOMIC  
ALTERNATIVE THEY MIGHT OBTAIN TO MOVE ALASKA NATURAL GAS."

5. GILLIES COMMENT: CAPPING OFF UPBEAT TONE OF REACTION  
SO FAR WAS COMMENT TO EMBASSY OFFICER BY PC ENERGY CRITIC  
THE AGREEMENT AND THAT IT CONSTITUTED SIGNIFICANT BENEFIT  
TO BOTH COUNTRIES.

6. BRITISH COLUMBIA REACTION: DR. NORMAN GISH, CHAIRMAN  
OF B.C. ENERGY COMMISSION, SAID ANNOUNCEMENT OF PIPELINE  
DECISION BY PRESIDENT AND PRIME MINISTER WOULD BE "VERY  
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WELL RECEIVED BY B.C." "IT WILL HAVE A VERY DIRECT  
ECONOMIC IMPACT NOT ONLY (BECAUSE) CONSIDERABLE B.C.  
MATERIALS AND LABOR WILL BE INVOLVED, BUT A GREAT VOLUME  
OF MATERIALS WILL BE MOVED THROUGH B.C. TO THE YUKON."  
ENDERS

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## Message Attributes

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